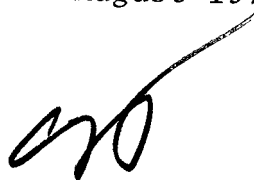


S E C R E T

1 August 1979

OSO SPOT REPORT



25X1D SUBJECT: Briefing at State Department on

[Redacted]

25X1D

[Large Redacted Area]

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S E C R E T

[Redacted]

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Next 10 Page(s) In Document Exempt

THE DIRECTOR OF
CENTRAL INTELLIGENCE

Executive Registry

79-4654

Deputy Director for National Foreign Assessment 20 AUG 1979

NOTE FOR THE DIRECTOR

Attached are two memoranda that respond to requests from Secretary Vance during your conversation with him on 2 August. The first memo goes somewhat beyond the Secretary's request [redacted]

[redacted]

The second responds to the Secretary's request for our appraisal of what the Nigerians are up to.

25X1A

[redacted]
Bruce C. Clarke, Jr.

Attachement:

- (1) Zimbabwe-Rhodesia: Settlement Prospects
- (2) Nigeria: Aggressive Foreign Policy

EXECUTIVE REGISTRY

FILE # L-291



Washington, D.C. 20505

Executive Registry

79-4654/1

23 August 1979

Dear Cy,

The attached papers respond to your questions of 2 August. The first is our assessment of the prospects for the British-sponsored settlement talks on Rhodesia in the wake of the Commonwealth Conference. The second is our appraisal of Nigeria's recent "oil diplomacy."



25X1A

STANSFIELD TURNER

Attachment:

- (1) Zimbabwe-Rhodesia: Settlement Prospects
(PA M 79-10379)
- (2) Nigeria: Aggressive Foreign Policy
(PA M 79-10379)

Secretary of State
Room 7226
New State Building

CONFIDENTIAL

Approved For Release 2005/07/12 : CIA-RDP81B00401R002300310004-2
25X1

17 August 1979

MEMORANDUM

ZIMBABWE-RHODESIA: SETTLEMENT PROSPECTS (U)

Given the conflicting interests that must be reconciled, the prospects for the British securing a political settlement in Zimbabwe-Rhodesia acceptable to all the parties to the conflict are not good. Prime Minister Thatcher is determined to return the country to legality, however, and she seems fully prepared to throw London's support behind a partial settlement with whomever is willing to participate. [REDACTED]

Selling a Settlement (U)

25X1C Zimbabwe-Rhodesian Prime Minister Muzorewa will not object to constitutional changes that diminish or do away with safeguards held by whites in the existing constitution. [REDACTED]

5X1 Muzorewa also would favor a ceasefire. Having run as a "peace candidate" in last April's election he knows that his prestige would be significantly enhanced if one were arranged. He may be less accommodating on new elections, although the British probably will be able to bring him around to accepting them with the argument that having won the April election he will be in the best position of all the candidates to win another. [REDACTED]

This memorandum was prepared by the Africa Division of the Office of Political Analysis and coordinated with the Clandestine Services, NIO/Africa, and OPA/USSR/Eastern Europe, Western Europe, and Latin America Divisions. Questions and comments may be addressed to the author, [REDACTED]

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Approved For Release 2005/07/12 : CIA-RDP81B00401R002300310004-2

5X1 The United States could also be in for some rough going as well should Washington follow any British lead in lifting economic sanctions against Rhodesia in the absence of a settlement acceptable to Nigeria and the frontline states. The US is potentially more vulnerable than the United Kingdom to economic pressure by Lagos because of the US importation of 1.2 million barrels per day of Nigerian crude. Nigerian oil accounts for 15 percent of US petroleum imports and around 7 percent of total US oil consumption. One US oil company--Gulf--relies on Nigerian crude for 35 to 40 percent of its overall US refinery needs and all of its east coast requirements. Britain, on the other hand, draws on the Nigerian economy for only 2 percent of its total exports and around 1 percent of Britain's import needs--mostly agricultural goods easily obtained elsewhere. [REDACTED]

25X1 Nigeria's tougher foreign-policy stance became obvious in late May. At that time Lagos announced that it was excluding British firms from Nigerian government contracts until London demonstrated a more favorable position on southern Africa. So far, the British have lost out on contracts totaling more than \$1 billion. In addition, Head of State Obasanjo sent a letter to President Carter stating that the United States risks losing its status as a "preferred" customer of Nigerian oil if Washington does not agree to import Nigerian liquefied natural gas. US utility companies failed to sign purchase agreements at a recent meeting, and there are indications that at best, commitments will be made for only half of Nigeria's total LNG output. Even these commitments depend on Nigeria's acceptance of substantially lower LNG prices than currently projected. Nigeria considers gas sales to the US an important source of foreign exchange to help offset an anticipated decline in oil exports after the mid-1980s. [REDACTED]

5X1 Last month, Lagos increased government ownership of the foreign oil companies operating in Nigeria from 55 percent to 60 percent, and ordered them to reduce daily output from 2.4 million barrels to less than 2.2 million barrels. Lagos claimed the moves were not politically motivated; the increased government ownership followed guidelines established by a 1977 indigenization decree, and the cutback in production was based largely on technical reasons. Nevertheless, these measures clearly support earlier government threats to reduce allocations to the US and other Western countries that ignore Nigerian concerns over southern Africa. [REDACTED]

Lagos saved its most dramatic move until the eve of the Commonwealth Conference, when it nationalized British Petroleum's 20 percent equity in the Shell-BP consortium that produces more than half of Nigeria's total output. Lagos also seized BP's domestic marketing operation and

25X1 The presidents do not want that intervention and they will work to avoid being put to such a choice by attempting to convince guerrilla leaders Joshua Nkomo and Robert Mugabe that the time has come to strike a deal and to defer the real struggle for political power until they have returned to Zimbabwe-Rhodesia. The Frontline presidents probably are willing to deal if need be with an unstable Zimbabwe-Rhodesia in the future if it rids them of their immediate problems. []

25X1 The London conference may well represent Nkomo's last chance to insert himself into a settlement. His political reputation has waned as Mugabe's and Muzorewa's have risen. His Zimbabwe African People's Union is in political and military disarray as the result of internal dissension and Salisbury's military operations into Zambia. Both Kaunda and Nkomo must realize by now that ZAPU stands no chance by itself of forcing the capitulation of the Salisbury regime by military means. Nkomo may regard a settlement as the best chance of restoring his political fortunes and of getting his forces inside Zimbabwe-Rhodesia and he may look for a private deal behind Mugabe's back. []

25X1 While Nkomo is wedded to expediency, Mugabe appears wedded to principle, making him the more intractable negotiator of the two. So far, that trait has won him the support of Mozambican President Machel, who equates Mugabe's fight with his own struggle against the Portuguese. But Machel also realizes that the resolution of his struggle was hastened by political events in Portugal and that Mozambique's development cannot be jeopardized by an open-ended commitment to Mugabe. []

25X1 At a Frontline conference prior to the drafting of the Commonwealth communique, Machel and Nyerere both expressed concern over the Patriotic Front's inability to present an effective challenge to the Muzorewa Government and concluded that Muzorewa would be in an even stronger position should he remove former prime minister Smith from the government and eliminate some of the constitutional safeguards for whites. Thus, both men may be moving in the direction of withdrawing their support for the guerrillas if they reject a reasonable settlement package offered by the British. []

Other Players (U)

South Africa's response to a new settlement will depend on how it stacks up against the existing political situation. Pretoria realizes that the present Zimbabwe-Rhodesian constitution is not internationally acceptable because of the blocking mechanisms it gives the whites. But because of those mechanisms it accords with South Africa's concept of what is necessary for stability in southern Africa. Thus, Pretoria is likely to seek the middle ground, encouraging Salisbury to accept some dilution of existing safeguards in exchange for irrevocable assurances

that the UK and other western powers will lift sanctions, enforce a transition, and hold new elections that will prevent a military takeover by the Patriotic Front. [REDACTED]

There is little the Soviets and Cubans can do except encourage the Patriotic Front and the Frontline states to hold out for the concessions they want while continuing to offer military assistance. They can afford to let the situation develop, with the expectation that the settlement effort will collapse and their own role will become increasingly important. [REDACTED]

Looking Ahead (U)

Between now and the opening of the London conference, the British will take private soundings of Zimbabwe-Rhodesian and Frontline views of what a new constitution should contain. Beyond that, the Thatcher Government anticipates an open-ended conference that will allow debate on the mechanics of the transition period and of new elections and that will make the lifting of sanctions contingent on agreement on the transitional process. [REDACTED]

If the debate becomes too protracted and acrimonious, or if it breaks down, London appears fully prepared to consider the views expressed thus far, present what it regards as a reasonable plan on a take-it-or-leave-it basis, and confer independence on whatever government emerges from that plan, with the hope that any holdouts will change their decision once they have seen the futility of their position. [REDACTED]

SECRET

17 August 1979

MEMORANDUM

NIGERIA: AGGRESSIVE FOREIGN POLICY (U)

During the past several months, Nigeria's outgoing military regime has pursued an increasingly aggressive foreign policy in support of majority rule in southern Africa. Particularly significant is the Nigerian government's use for the first time of its oil as a policy instrument. The tight world oil market that has prevailed since the Iranian revolution has given Nigeria's oil more importance than at any time since the 1973 Arab embargo. At the same time, record prices allow Nigeria's military leaders to exercise their oil muscle without excessive worry over financial consequences. Oil revenues this year will probably exceed last year's total by more than 60 percent, and the military government should have little problem meeting its objective of leaving the new civilian regime with the healthiest possible economy when it hands over power on 1 October. [REDACTED]

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Nigeria has been particularly hard-nosed with the United Kingdom because of Lagos' unhappiness with Prime Minister Thatcher's southern African policy. Before the recent Commonwealth conference in Lusaka, Nigeria's leaders were convinced that London would lead the way in establishing relations with the Muzorewa regime in Zimbabwe-Rhodesia and were determined to make the British think twice before making such a move. The Nigerians were also disturbed by continuing British support for South Africa, highlighted by London's June announcement that it has eased its restrictive policy on oil sales to Pretoria. [REDACTED]

25X1A
This memorandum was prepared by the Africa Division of the Office of Political Analysis and coordinated with the DDO, OER, and OPA/Western Europe Division. Questions and comments may be addressed to the author, [REDACTED]

25X1

The United States could also be in for some rough going as well should Washington follow any British lead in lifting economic sanctions against Rhodesia in the absence of a settlement acceptable to Nigeria and the frontline states. The US is potentially more vulnerable than the United Kingdom to economic pressure by Lagos because of the US importation of 1.2 million barrels per day of Nigerian crude. Nigerian oil accounts for 15 percent of US petroleum imports and around 7 percent of total US oil consumption. One US oil company--Gulf--relies on Nigerian crude for 35 to 40 percent of its overall US refinery needs and all of its east coast requirements. Britain, on the other hand, draws on the Nigerian economy for only 2 percent of its total exports and around 1 percent of Britain's import needs--mostly agricultural goods easily obtained elsewhere. [REDACTED]

Nigeria's tougher foreign-policy stance became obvious in late May. At that time Lagos announced that it was excluding British firms from Nigerian government contracts until London demonstrated a more favorable position on southern Africa. So far, the British have lost out on contracts totaling more than \$1 billion. In addition, Head of State Obasanjo sent a letter to President Carter stating that the United States risks losing its status as a "preferred" customer of Nigerian oil if Washington does not agree to import Nigerian liquefied natural gas. US utility companies failed to sign purchase agreements at a recent meeting, and there are indications that at best, commitments will be made for only half of Nigeria's total LNG output. Even these depend on substantially lower LNG prices than currently projected. Nigeria considers gas sales to the US an important source of foreign exchange to help offset an anticipated decline in oil exports after the mid-1980s.

25X1 [REDACTED]

Last month, Lagos increased government ownership of the foreign oil companies operating in Nigeria from 55 percent to 60 percent, and ordered them to reduce daily output from 2.4 million barrels to less than 2.2 million barrels. Lagos claimed the moves were not politically motivated; the increased government ownership followed guidelines established by a 1977 indigenization decree, and the cutback in production was based largely on technical reasons. Nevertheless, these measures clearly support earlier government threats to reduce allocations to the US and other Western countries that ignore Nigerian concerns over southern Africa. [REDACTED]

Lagos saved its most dramatic move until the eve of the Commonwealth Conference, when it nationalized British Petroleum's 20 percent equity in the Shell-BP consortium that produces more than half of Nigeria's total output. Lagos also seized BP's domestic marketing operation and

ordered all BP personnel out of the country by the end of August. Lagos claims that it acted in response to London's earlier decision to allow BP to reimburse suppliers of crude to BP's South African refineries with North Sea oil. The Nigerians believe that Nigerian crude would be used because of British dependence on North Sea oil for its own needs. Industry spokesmen in Lagos and London maintain that BP is being punished for violating recent Nigerian restrictions against sending tankers to Nigeria that have stopped in South Africa and have South African crewmen.* The timing of the takeover, however, suggests that the Obasanjo regime wanted to demonstrate in the strongest terms that it is prepared to move against anyone who might follow--including the US--any British lead in supporting the Muzorewa government. [REDACTED]

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The loss of BP's Nigerian operations will deprive the company of as much as 400,000 barrels per day--approximately 275,000 barrels per day representing BP's 20 percent share of Shell-BP production, and 100,000 barrels per day of Nigerian government crude purchased by BP under a long-term contract. Prior to the nationalization, Nigerian crude accounted for about 10 percent of BP's worldwide crude supplies. Although the impact of this cutback on British oil needs will be slight--Nigerian crude accounts for less than 5 percent of total UK imports--the reductions will complicate BP's efforts to satisfy its international supply commitments, which are already in disarray because of the drop in Iranian production. [REDACTED]

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For Lagos, the takeover of BP was a relatively painless way to dramatize its frustration with the lack of an acceptable Rhodesian settlement. The departure of BP staff will have little if any impact on oil production by the former Shell-BP consortium, as all senior technical personnel are employed by Shell. There is an immediate problem of locating customers for BP's former entitlement, but Lagos should have little difficulty selling its high-quality oil in view of current market condition. Nigeria faces greater economic dislocation if it decides to go after British non-oil investment; the loss of British expertise would seriously disrupt Nigeria's banking, construction, and consumer goods industries. Moreover, a sweeping move against UK interests could prompt London to freeze an estimated \$500 million in Nigerian assets--nearly 20 percent of Lagos' total official foreign reserves--and severely damage Nigeria's international credit rating. [REDACTED]

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**Some of these restrictions, if strictly enforced, pose legal problems for US shippers. Prior to the nationalization move, Lagos had announced it was reducing BP's oil purchases by 100,000 barrels per day because of the tanker incident.*

At the same time, Nigeria's military leaders are almost certainly convinced that their anti-British offensive played an important role in the Thatcher government's new initiatives on Zimbabwe-Rhodesia. The British action at the Commonwealth Conference probably also confirms Lagos' belief that its oil weapon can be effective in wresting important foreign policy concessions from other Western countries. We doubt that the military government or its civilian successor would go so far as to impose an oil embargo against the US because it is almost impossible to enforce. In addition, an embargo would almost certainly destroy any chance Nigeria has of exporting LNG to the US by casting Lagos as an unreliable supplier. Moreover, the new civilian regime will probably be too preoccupied with putting its internal affairs in order to launch any major new foreign policy initiatives. Many Nigerian observers predict that a civilian government will prove more conservative and less activist in foreign affairs than its military predecessors and will place greater emphasis on good economic relations with the West, particularly the US. Should Lagos come under heavy public pressure because of a perceived reversal in Washington's southern Africa policy, it could choose one or more options, including a selective cutback on oil production by US companies, a ban on company purchases of government-owned crude, or nationalization of the companies' remaining 40 percent equity.

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Approved For Release 2005/07/12 : CIA-RDP81B00401R002300310004-2

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SUBJECT: Zimbabwe-Rhodesia: Settlement Prospects
Nigeria: Aggressive Foreign Policy

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5X1 NFAC/OPA/Africa, [REDACTED] 17 August 1979)

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Executive Registry

79-1799/1

DD/O.P.A-4062

15 August 1979

MEMORANDUM FOR THE RECORD

SUBJECT: Paragraph 5 of the DCI's Memorandum of Conversation
with the Secretary of State, 2 August 1979

25X1A 1. It seems all decisions involving State must be made twice.
Secretary Vance raised [] after a group consisting of
25X1A Newsom, Habib, Aaron and myself had met extensively and reached
a decision. That decision was that we would work [] just
25X1A enough to keep him interested and viable until Habib had completed
his trip. The situation would then be reviewed. I suggest we
stick with this decision. *agree*

25X1A 2. I am also puzzled by the charges of lack of coordination
[] It seems to me we coordinated exorbitantly on that *agree*
one.

3. I would appreciate a report on the 3 August meeting with
Bowdler.

25X1A []

Frank C. Carlucci

25X1A

25X1A Since writing this I have talked to Bowdler. He says State is
clear on how to handle [] Aaron, Newsom, Habib & Carlucci meeting.
He also said there is no problem on coordination []

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25X1C

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